

**MOTHERSON ELECTRICAL WIRES LANKA  
(PRIVATE) LIMITED**

**FINANCIAL STATEMENTS**

**31 MARCH 2021**



Ernst & Young  
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INDEPENDENT AUDITORS' REPORT  
TO THE SHAREHOLDERS OF MOTHERSON ELECTRICAL WIRES LANKA (PRIVATE) LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Motherston Electrical Wires Lanka (Private) Limited, which comprise the statement of financial position as at 31 March 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2021 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for Small and Medium-Sized Entities ("SLFRS for SMEs").

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards for Small and Medium-Sized Entities ("SLFRS for SMEs"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA  
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA  
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA A A J R Perera ACA ACMA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA  
Principals: G B Goudian ACMA T P M Ruberu FCMA FCCA

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### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

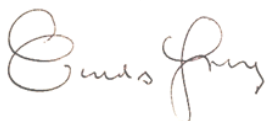
As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Report on other legal and regulatory requirements**

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.



17 May 2021  
Colombo


# Motherson Electrical Wires Lanka (Private) Limited

## STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	2021 USD	2020 USD
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	4	372,068	550,297
		<u>372,068</u>	<u>550,297</u>
<b>Current Assets</b>			
Inventories	5	3,735,433	1,411,696
Prepayments and Other Receivables	6	507,229	397,920
Amounts Due from Related Parties	7	3,911,515	4,298,966
Short-term Deposits	8	500,000	-
Bank Balances and Cash	8	763,255	203,654
		<u>9,417,432</u>	<u>6,312,236</u>
<b>Total Assets</b>		<u><u>9,789,500</u></u>	<u><u>6,862,533</u></u>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Stated Capital	9	151,814	151,814
Retained Earnings		8,770,145	5,762,735
<b>Total Equity</b>		<u>8,921,959</u>	<u>5,914,549</u>
<b>Non-Current Liabilities</b>			
Employee Defined Benefit Liabilities	10	40,897	47,534
Deferred Tax Liability	17	38,450	60,031
		<u>79,347</u>	<u>107,565</u>
<b>Current Liabilities</b>			
Trade Payables and Other Payables	11	631,057	748,482
Amounts Due to Related Parties	12	31,498	36,887
Income Tax Payable		125,639	55,050
		<u>788,194</u>	<u>840,419</u>
<b>Total Liabilities</b>		<u>867,541</u>	<u>947,984</u>
<b>Total Equity and Liabilities</b>		<u><u>9,789,500</u></u>	<u><u>6,862,533</u></u>

These Financial Statements are in compliance with the requirements of the Companies Act No.07 of 2007.

  
 .....  
 Head of Finance

The Board of Directors is responsible for these Financial Statements.

Gaya Nand Gauba  
 Digitally signed by  
 Gaya Nand Gauba  
 Date: 2021.05.17  
 17:04:44 +05'30'  
 .....  
 Director

ASHOK TANDO N.  
 Digitally signed  
 by ASHOK  
 TANDON  
 Date:  
 2021.05.17  
 17:34:29 +05'30'  
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 Director

The accounting policies and notes on pages 07 through 20 form an integral part of the Financial Statements.

17 May 2021  
 Colombo



Motherson Electrical Wires Lanka (Private) Limited

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2021

	Notes	2021 USD	2020 USD
Revenue	13	15,726,267	19,344,427
Cost of Sales		<u>(11,795,215)</u>	<u>(13,916,241)</u>
<b>Gross Profit</b>		3,931,052	5,428,186
Administrative Expenses		(397,308)	(475,927)
Distribution Costs		(87,480)	(169,422)
<b>Operating Profit</b>		<u>3,446,264</u>	<u>4,782,837</u>
Other Income		6,512	450
Finance Income	14	9,699	26,087
Finance Costs	15	(5,094)	(10,877)
<b>Profit before Tax</b>	16	<u>3,457,381</u>	<u>4,798,497</u>
Income Tax Expense	17	(453,856)	(611,657)
<b>Profit for the year</b>		<u><u>3,003,525</u></u>	<u><u>4,186,840</u></u>
<b>Other Comprehensive Income</b>			
<i>Other Comprehensive Income not to be Reclassified to Comprehensive Income in Subsequent Periods</i>			
Re-measurement (Loss)/Gain on Employee Defined Benefit Liabilities	10	4,518	(1,729)
Deferred Tax Attributable to Re-measurement of Employee Defined Benefit Liabilities	17	(633)	242
<b>Other Comprehensive Income for the year</b>		<u>3,885</u>	<u>(1,487)</u>
<b>Total Comprehensive Income for the year</b>		<u><u>3,007,410</u></u>	<u><u>4,185,353</u></u>
Basic Earnings per Share	18	2.06	2.88
Dividend per Share	19	-	4.25

The accounting policies and notes on pages 07 through 20 form an integral part of the Financial Statements.



# Motherson Electrical Wires Lanka (Private) Limited

## STATEMENT OF CASH FLOWS

Year ended 31 March 2021

	Notes	2021 USD	2020 USD
<b>Operating Activities</b>			
Profit before Tax		3,457,381	4,798,497
<b>Adjustments for:</b>			
Depreciation of Property, Plant and Equipment		183,950	230,177
Gain/ Loss on Disposal of Property Plant and Equipment		(6,512)	(450)
Provision for Obsolete and Slow-moving Inventories		5,725	(826)
Finance Income	14	(9,699)	(26,087)
Interest Expenses	15	810	4,446
Provision for Employee Defined Benefit Liabilities	10	8,136	10,228
Unrealised Exchange Gain	10	(2,114)	(3,294)
<b>Operating Profit before Working Capital Changes</b>		<u>3,637,677</u>	<u>5,012,691</u>
<b>Working Capital Changes:</b>			
Increase/(Decrease) Inventories		(2,329,462)	(101,617)
Increase/(Decrease) Prepayments and Other Receivables		(109,308)	(248,008)
Increase/(Decrease) Amounts Due from Related Parties		387,450	(2,792,694)
Increase/(Decrease) Trade and Other Payables		(117,425)	600,691
Increase/(Decrease) Amounts Due to Related Parties		(5,389)	(2,047)
<b>Cash generated from Operations</b>		<u>1,463,542</u>	<u>2,469,016</u>
Interest paid		(810)	(4,446)
Finance Income received		9,699	26,087
Employee Defined Benefit Liabilities paid	10	(8,141)	(4,616)
Income Tax paid		(405,481)	(1,233,236)
<b>Net Cash flows from Operating Activities</b>		<u>1,058,810</u>	<u>1,252,805</u>
<b>Investing Activities</b>			
Acquisition of Property, Plant and Equipment		(5,722)	(11,720)
Proceeds from Disposal of Property, Plant and Equipment		6,512	757
<b>Net Cash flows used in Investing Activities</b>		<u>790</u>	<u>(10,962)</u>
<b>Financing Activities</b>			
Dividend paid		-	(6,188,859)
<b>Net Cash flows used in Financing Activities</b>		<u>-</u>	<u>(6,188,859)</u>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		1,059,601	(4,947,015)
<b>Cash and Cash Equivalents at the beginning of the year</b>	8	203,655	5,150,670
<b>Cash and Cash Equivalents at the end of the year</b>	8	<u>1,263,255</u>	<u>203,654</u>

The accounting policies and notes on pages 07 through 20 form an integral part of the Financial Statements.



Motherson Electrical Wires Lanka (Private) Limited

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2021

	Stated Capital USD	Retained Earnings USD	Total USD
<b>Balance as at 01 April 2019</b>	151,814	7,766,241	7,918,055
Profit for the year	-	4,186,840	4,186,840
Other Comprehensive Income	-	(1,487)	(1,487)
Total Comprehensive Income	-	4,185,353	4,185,353
Dividend paid - 2019	-	(6,188,859)	(6,188,859)
<b>Balance as at 31 March 2020</b>	<u>151,814</u>	<u>5,762,735</u>	<u>5,914,549</u>
<b>Balance as at 01 April 2020</b>	151,814	5,762,735	5,914,549
Profit for the year	-	3,003,525	3,003,525
Other Comprehensive Income	-	3,885	3,885
Total Comprehensive Income	-	3,007,410	3,007,410
Dividend paid - 2020	-	-	-
<b>Balance as at 31st March 2021</b>	<u>151,814</u>	<u>8,770,145</u>	<u>8,921,959</u>

The accounting policies and notes on pages 07 through 20 form an integral part of the Financial Statements.



**1. CORPORATE INFORMATION**

**1.1 General**

Motherson Electrical Wires Lanka (Private) Limited is a limited liability Company incorporated and domiciled in Sri Lanka. The registered office of the Company and principal place of operations is No. 32 Miles Stone, Pinnalande Estate, Watareka, Padukka.

**1.2 Principal Activities and Nature of Operations**

The principal activity of the Company was manufacturing, fabricating and assembling automobile wires.

**1.3 Parent Enterprise and Ultimate Parent Enterprise**

The Company's parent entity is Motherson Sumi Systems Limited, which is incorporated in India.

**1.4 Date of Authorization for Issue**

The Financial Statements of Motherson Electrical Wires Lanka (Private) Limited for the year ended 31 March 2021 were authorized for issue in accordance with a resolution of the Board of Directors on 17 May 2021.





## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation and Statement of Compliance

The Financial Statements of the Company comprises the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows together with accounting policies and notes.

The Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards for Small and Medium-Sized Entities (“SLFRS for SMEs”) issued by the Institute of Chartered Accountants of Sri Lanka, and also in compliance with the requirements of the Companies Act No. 07 of 2007.

The Financial Statements have been prepared on the historical cost basis and presented in US Dollars (USD), which is the Company's functional and presentation currency.

The accounting policies adopted are consistent with those of the previous financial year.

### 2.2 Going Concern

The Management at the Parent Company level assessed the impact of Covid-19 on the wire division/ company operations and the consequential impact of the appropriateness of the use of the going concern assumption in preparation and presentation of the Financial Statements of the company.

The Group has major interest in the automotive sector and are engaged in serving components (wire requirement) mainly in India. Although, there are some temporary disruptions due to lockdown situation in India in FY 20-21, all wire plants owned by the MSSSL (including Sri Lanka) has done production. Indian Car makers and automotive manufacturers has achieved their production. Further, have seen that COVID 19 has brought a need for safe mobility & it resulted in increase in demand of Cars and two wheelers. As Such, Management is confident that the Company will be able to meet Budgeted sales & continue as a going concern in the near future. Based on above facts management determined that the use of the going concern basis in the preparation and presentation of the financial statements is appropriate.

### 2.3 Foreign Currency

The Financial Statements of the Company are presented in US Dollars. The primary source of income and expenditure of the Company are in US Dollars and hence it is determined that US Dollars as the functional currency of the Company.

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the Statement of Comprehensive Income. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of the initial transactions.

### 2.4 Comparative Figures

Certain comparatives figures have been reclassified in order to conform to the presentation for the current period. Such reclassifications were made to improve the quality of presentation and do not affect previously reported profit or equity.



## 2.5 Property, Plant and Equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation. Subsequent costs are included in the assets carrying amount or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Company and the cost can be reliably measured. Other costs are charged to the Statement of Comprehensive Income during the year in which they are incurred.

Property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of the Company's assets for the calculation of depreciation are as follows:

Leasehold improvements	5 years
Office equipment	3 years
Plant and equipment	6 to 10 years
Computers	3 years
Motor vehicles	4 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount being the higher of their fair value less costs to sell and their value in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Statement of Comprehensive Income in the period the item is derecognised.

The assets residual value, useful lives and methods of depreciation of property, plant and equipment are reviewed at each reporting period end, and adjusted prospectively, if appropriate.

## 2.6 Inventories

Inventories are valued at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition and are determined as follows:

- Raw materials are valued at weighted average costs
- Finished goods and work in progress are valued at weighted average costs, which includes all direct expenditure and appropriate share of production overhead based on normal operating capacity
- Goods-in-transit are valued at actual costs

Provision for inventory obsolescence is estimated on a systematic basis and deducted from the gross carrying value of the inventory.

Net realisable value is based on the estimated selling price in the ordinary course of business less any further costs expected to be incurred on completion and disposal.

## 2.7 Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell or its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.



**2.8 Trade and Other Receivables**

Trade and other receivables are stated at original invoice amount less allowance for impairment. An estimate for doubtful accounts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

**2.9 Cash and Cash Equivalents**

Cash and cash equivalents in the Statement of Financial Position comprise cash on hand and at banks, which are subject to an insignificant risk of changes in value.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash on hand and at banks, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

**2.10 Impairment of Financial Assets**

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

**2.11 Trade and Other Payables**

Trade and other payables are recognised for amounts to be paid in the future for goods, assets or services received, whether billed by the supplier or not.

**2.12 Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

**2.13 Employee Benefits**

**Employee Defined Benefit Plan – Gratuity**

Provision has been made in the financial statements for retirement benefit obligations from the first year of service for all employees in conformity with Sri Lanka Accounting Standard (SLFRS for SME Section 28) – Employee Benefits.

The cost of defined benefit plans is determined internally by the management using the projected unit credit method. Projected valuations for defined benefit plans are carried out annually. The discount rate applied in arriving at the present value of the pension liability represents the yield on high quality corporate bonds denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.



### **Employee Contribution Plan – EPF and ETF**

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations. The companies contribute the defined percentages of gross emoluments of employees to the Employees' Provident Fund and to the Employees' Trust Fund respectively, which are externally funded.

## **2.14 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes.

The specific recognition criteria described below must also be met before revenue is recognised.

### **Sale of Goods**

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

### **Gains and Losses**

Net gains and losses of a revenue nature arising from the disposal of other non-current assets, are accounted in the Statement of Comprehensive Income, after deducting the carrying amount from proceeds on disposal of such assets and the related selling expenses.

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions, which are not material are aggregated, reported and presented on a net basis.

### **Interest Income**

Interest income is recorded as it accrues using the effective interest method.

### **Dividend Income**

Dividend income is recognized when the Company's right to receive the payments is established.

### **Others**

Other income is recognized on an accrual basis.

## **2.15 Expenditure Recognition**

Expenses are recognized in the Statement of Comprehensive Income on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Statement of Comprehensive Income.

For the purpose of presentation of the Statement of Comprehensive Income, the Directors are of the opinion that "function of expenses" method presents fairly the elements of the Company's performance, and hence such presentation method is adopted.



### Finance Costs

Finance costs comprise interest expense on bank overdrafts. Interest expense is recorded as it accrues using the effective interest method.

### Operating Leases

Operating lease payments are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

### Others

Other expenses are recognized on an accrual basis.

## 2.16 Taxation

### Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

### Deferred Taxation

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all temporary differences, except:

- Where the deferred tax liability arises from an asset or liability in a transaction that affects neither the accounting profit nor the taxable profit.

Deferred tax assets are recognized for all deductible differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax assets relating to deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that affects neither the accounting profit nor the taxable profit.

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the deferred tax assets to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the assets are realized or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax relating to items recognized outside the Statement of Comprehensive Income is recognized outside the Statement of Comprehensive Income. Deferred tax items are recognized in correlation to the underlying transaction either in the Statement of Comprehensive Income or Statement of Other Comprehensive Income.



### **Turnover Based Taxes**

Turnover based taxes include Value Added Tax, Nation Building Tax and Economic Service Charge. The Company pay such taxes in accordance with the respective statutes.

### **3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future.

#### ***Impairment of inventories***

Inventories are held at the lower of cost and net realisable value. When inventories become obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the reporting date, gross inventories of the Company were USD 3,735,433 (2020: USD 1,411,699) with provision for obsolete and slow-moving inventories amounting to USD 9,915 (2020: 5016).

#### ***Employee Defined Benefit Plan – Gratuity***

Provision has been made in the financial statements for retirement benefit obligations from the first year of service for all employees in conformity with Sri Lanka Accounting Standard (SLFRS for SME Section 28) – Employee Benefits.

The cost of defined benefit plans is determined internally by the management using the projected unit credit method. Projected valuations for defined benefit plans are carried out annually. The discount rate applied in arriving at the present value of the pension liability represents the yield on high quality corporate bonds denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

#### ***Going Concern***

The Management at the Parent Company level assessed the impact of Covid-19 on the wire division/ company operations and the consequential impact of the appropriateness of the use of the going concern assumption in preparation and presentation of the Financial Statements of the company.

The Group has major interest in the automotive sector and are engaged in serving components (wire requirement) mainly in India. Although, there are some temporary disruptions due to lockdown situation in India in FY 20-21, all wire plants owned by the MSSSL (including Sri Lanka) has done production. Indian Car makers and automotive manufacturers has achieved their production. Further, have seen that COVID 19 has brought a need for safe mobility & it resulted in increase in demand of Cars and two wheelers. As Such, Management is confident that the Company will be able to meet Budgeted sales & continue as a going concern in the near future. Based on above facts management determined that the use of the going concern basis in the preparation and presentation of the financial statements is appropriate.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

4. PROPERTY, PLANT AND EQUIPMENT

<b>Gross Carrying Amounts</b>	<b>Balance As at 01.04.2020 USD</b>	<b>Additions USD</b>	<b>Disposals USD</b>	<b>Balance As at 31.03.2021 USD</b>
<b>At Cost</b>				
Leasehold Improvements	229,787	-	-	229,787
Office Equipment	52,198	-	-	52,198
Plant and Equipment	4,053,373	-	-	4,053,373
Computers	69,125	-	-	69,125
Motor Vehicles	74,924	-	(19,554)	55,370
<b>Total Value of Depreciable Assets</b>	<b>4,479,407</b>	<b>-</b>	<b>(19,554)</b>	<b>4,459,853</b>
<b>In the Course of Construction</b>				
Capital Work-In-Progress	-	5,722	-	5,722
	-	5,722	-	5,722
<b>Total Gross Carrying Amount</b>	<b>4,479,407</b>	<b>5,722</b>	<b>(19,554)</b>	<b>4,465,575</b>
<b>Accumulated Depreciation</b>	<b>Balance As at 01.04.2020 USD</b>	<b>Charge for the year USD</b>	<b>Disposals USD</b>	<b>Balance As at 31.03.2021 USD</b>
<b>At Cost</b>				
Leasehold Improvements	192,199	12,010	-	204,210
Office Equipment	36,006	6,895	-	42,902
Plant and Equipment	3,566,490	157,427	-	3,723,917
Computers	64,790	3,752	-	68,542
Motor Vehicles	69,623	3,866	(19,554)	53,935
<b>Total Depreciation</b>	<b>3,929,108</b>	<b>183,950</b>	<b>(19,554)</b>	<b>4,093,505</b>
<b>Net Book Value</b>			<b>31.03.2021 USD</b>	<b>01.04.2020 USD</b>
Leasehold Improvements			25,577	37,587
Office Equipment			9,296	16,191
Plant and Equipment			329,456	486,884
Computers			582	4,334
Motor Vehicles			1,435	5,301
			<b>366,346</b>	<b>550,297</b>
Capital Work-In-Progress			5,722	-
			<b>5,722</b>	<b>-</b>
			<b>372,068</b>	<b>550,297</b>



4.1 During the period, the Company acquired property, plant and equipment to the aggregate value of USD: 5,722 (2020: USD 12,784). Cash/Bank payments amounting to USD : Nil (2020: USD 12,784) were made during the period for purchase of property, plant and equipment.

4.2 Property, plant and equipment includes fully depreciated assets having gross carrying amounts of USD 3,486,679 (2020:USD 2,549,896) and continue to be in use by the Company.

4.3 The building has been constructed on a leasehold land under an operating lease from D.P.S Global (Private) Limited for a period of 5 years commencing from 01 January 2019. The Company expensed USD 59,910 per annum as lease rental.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

<b>5. INVENTORIES</b>	<b>2021 USD</b>	<b>2020 USD</b>
Raw Materials	1,634,451	298,473
Work in Progress	1,119,362	761,318
Finished Goods	512,092	292,981
Goods in Transit	479,444	63,114
	<u>3,745,348</u>	<u>1,415,886</u>
Provision for Obsolete and Slow-moving Inventories	(9,915)	(4,190)
	<u><u>3,735,433</u></u>	<u><u>1,411,696</u></u>

Movements in the provision for obsolete and slow-moving inventories are as follows:

At 1 April	4,190	5,016
Provided during the year	5,725	(826)
As at 31 March	<u><u>9,915</u></u>	<u><u>4,190</u></u>

<b>6. PREPAYMENTS AND OTHER RECEIVABLES</b>	<b>2021 USD</b>	<b>2020 USD</b>
Deposits and Advances	474,875	344,296
Prepayments	4,243	4,875
Other Receivables	28,112	48,749
	<u>507,229</u>	<u>397,920</u>

<b>7. AMOUNTS DUE FROM RELATED PARTIES</b>		<b>2021 USD</b>	<b>2020 USD</b>
<b>Trade Receivables</b>	<b>Relationship</b>		
Kyungshin Industrial Motherson Limited	Affiliate	3,508,065	4,112,551
Motherson Sumi Systems Limited	Parent	403,450	186,415
		<u>3,911,515</u>	<u>4,298,966</u>
		<u><u>3,911,515</u></u>	<u><u>4,298,966</u></u>

Transactions with related parties are disclosed in Note 23.





NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

**8. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the statement of cash flows include the following statement of financial position amounts:

	<b>2021</b>	<b>2020</b>
	<b>USD</b>	<b>USD</b>
<b>Favourable Cash and Cash Equivalent Balances</b>		
Cash on Hand	1,355	528
Bank Balances	761,900	203,126
Bank Balances and Cash	<u>763,255</u>	<u>203,654</u>
Short-term Deposits	500,000	-
	<u>1,263,255</u>	<u>203,654</u>
<b>Total Cash and Cash Equivalents for the purpose of Cash Flow Statement</b>	<u>1,263,255</u>	<u>203,654</u>

**9. STATED CAPITAL**

	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>Number</b>	<b>Number</b>	<b>USD</b>	<b>USD</b>
Fully Paid Ordinary Shares	<u>1,456,202</u>	<u>1,456,202</u>	<u>151,814</u>	<u>151,814</u>

**10. EMPLOYEE DEFINED BENEFIT LIABILITIES**

	<b>2021</b>	<b>2020</b>
	<b>USD</b>	<b>USD</b>
At the beginning of the year	47,534	43,487
Current Service Cost	5,355	6,494
Interest Cost	2,781	3,734
Actuarial Loss/(Gain)	(4,518)	1,729
Benefits paid	(8,141)	(4,616)
Exchange Gain	(2,114)	(3,294)
At the end of the year	<u>40,897</u>	<u>47,534</u>

Following principal assumptions were used in determining employee defined benefit liabilities:

	<b>2021</b>	<b>2020</b>
Future salary increases	7.50%	10.50%
Discount rate	7.44%	9.99%



# Motherson Electrical Wires Lanka (Private) Limited

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

<b>11. TRADE AND OTHER PAYABLES</b>		<b>2021</b>	<b>2020</b>
		<b>USD</b>	<b>USD</b>
Accrued Expenses		2,158	4,695
Trade Payables		541,686	640,992
Other Payables		87,213	102,795
		<u>631,057</u>	<u>748,482</u>

<b>12. AMOUNTS DUE TO RELATED PARTIES</b>		<b>2021</b>	<b>2020</b>
	<b>Relationship</b>	<b>USD</b>	<b>USD</b>
<b>Other Payables</b>			
Sumitomo Wiring Systems Limited, Japan	Affiliate	-	1,392
Motherson Sumi InfoTech and Design Limited	Affiliate	9,490	5,667
Motherson Air Travel Agencies Limited	Affiliate	99	937
Motherson Sumi Electric Wires, Noida ("A Division of Motherson Sumi Systems Limited")	Affiliate	10,769	-
Motherson Auto Limited	Affiliate	-	1,263
Edcol Global Pte. Limited	Affiliate	-	1,968
Motherson Sumi Systems Limited, GmbH	Affiliate	-	25,660
Motherson Sumi Electric Wires, Bangalore ("A Division of Motherson Sumi Systems Limited")	Affiliate	5,722	-
Samvardhana Motherson Global Carriers Limited	Affiliate	5,418	-
		<u>31,498</u>	<u>36,887</u>

Transactions with related parties are disclosed in Note 23.

<b>13. REVENUE</b>		<b>2021</b>	<b>2020</b>
		<b>USD</b>	<b>USD</b>
Export Sales		15,721,375	19,343,224
Local Sales		4,893	1,203
		<u>15,726,267</u>	<u>19,344,427</u>

<b>14. FINANCE INCOME</b>		<b>2021</b>	<b>2020</b>
		<b>USD</b>	<b>USD</b>
Interest Income from Short Term Deposits		9,699	26,087
		<u>9,699</u>	<u>26,087</u>

<b>15. FINANCE COSTS</b>		<b>2021</b>	<b>2020</b>
		<b>USD</b>	<b>USD</b>
Bank Charges		4,284	6,431
Interest Expenses on Bank Overdraft		810	2,450
Interest on long term Borrowing		-	1,996
		<u>5,094</u>	<u>10,877</u>



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

**16. PROFIT BEFORE TAX**

Profit before tax is stated after charging all expenses including the following:

	<b>2021</b>	<b>2020</b>
	<b>USD</b>	<b>USD</b>
<i>Included in Cost of Sales:</i>		
Cost of Material Consumed	11,185,580	13,037,674
Employee Benefits including the following;	86,916	115,506
- Employee Defined Benefit Liabilities - Gratuity	2,685	3,375
- Defined Contribution Plan Costs - EPF and ETF	5,483	6,234
Depreciation	166,562	208,421
Royalty	24,499	28,544
<i>Included in Administrative Expenses:</i>		
Employee Benefits including the following;	186,370	237,830
- Employee Defined Benefit Liabilities - Gratuity	5,451	6,852
- Defined Contribution Plan Costs - EPF and ETF	11,131	12,658
Professional Charges	52,718	47,924
Depreciation	17,386	21,755
Auditors Remuneration	5,915	7,465
Legal Fees	141	132

**17. INCOME TAX EXPENSES**

17.1 The major components of income tax expense for the year ended 31 March are as follows:

**Statement of Comprehensive Income**

**Current Income Tax**

Current Income Tax Expense	509,102	701,080
Over / Under Adjustment	(33,032)	(61,024)
	<u>476,070</u>	<u>640,056</u>

**Deferred Income Tax**

Deferred Taxation Charge/ (Reversal)	(22,214)	(28,399)
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**Income Tax Expense recognised in Statement of Comprehensive Income**

	<u>453,856</u>	<u>611,657</u>
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**Statement of Other Comprehensive Income**

Deferred Tax attributable to re-measurement of Employee Defined Benefit Liabilities	633	(242)
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**Deferred Tax (Reversal)/Charge recognised in Statement of Other Comprehensive Income**

	<u>633</u>	<u>(242)</u>
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**17.2 Reconciliation between Current Tax Expense and Accounting Profit**

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial year ended 31 March are as follows:

Profit before Tax	3,457,381	4,798,497
Disallowable Expenses	192,086	240,876
Allowable Expenses	(29,968)	(57,745)
Taxable Business Income	<u>3,619,500</u>	<u>4,981,628</u>

**Other Sources of Income**

Interest Income	9,699	26,087
Taxable Other Income	<u>9,699</u>	<u>26,087</u>

Income Tax at 14% on Taxable Business Income	506,572	697,428
Income Tax at 18% on Taxable Business Income	202	-
Income Tax at 24% on Taxable Other Income	2,328	3,652
Current Income Tax Charge	<u>509,102</u>	<u>701,080</u>



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

17. INCOME TAX EXPENSE (Contd...)

17.3 Deferred Tax Liability	Statement of Financial Position		Statement of Comprehensive Income	
	2021 USD	2020 USD	2021 USD	2020 USD
Accelerated Depreciation for Tax Purposes	44,176	66,686	(22,510)	(28,074)
Employee Defined Benefit Liabilities	(5,726)	(6,655)	929	(567)
Deferred Tax Charge			(21,581)	(28,641)
Net Deferred Tax Liability	<u>38,450</u>	<u>60,031</u>		
Deferred Tax Charge/(Reversal) during the year recognised in the Statement of Comprehensive Income			(22,214)	(28,399)
Deferred Tax (Reversal)/Charge during the year recognised in the Statement of Other Comprehensive Income			633	(242)
			<u>(21,581)</u>	<u>(28,641)</u>

The deferred tax has been computed at the rate of 14% (2020-14%)

18. EARNINGS PER SHARE

Basic Earnings per Share

Basic earning per share is calculated by dividing the profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2021 USD	2020 USD
<b>Amount used as the Numerator:</b>		
Profit for the year attributable to ordinary shareholders of the Company	3,003,525	4,186,840
<b>Number of Ordinary Shares used as the Denominator:</b>		
Weighted average number of ordinary shares	1,456,202	1,456,202
Basic Earnings per Share	2.06	2.88

19. DIVIDEND PER SHARE

Dividend per share is calculated by considering the dividend paid for the year divided by the number of shares in issue which ranked for those divided.

	2021 USD	2020 USD
Dividend paid	-	6,188,859
Dividend per Ordinary Share	-	4.25



20. CONTINGENCIES AND COMMITMENTS

No material transactions have taken place during the year with the parties/entities in which key management personnel or their close family men As at reporting date, the Company has following operating lease and other commitments.

The Company has an annual commitment of USD 2,750 as ground rent to the Board of Investment of Sri Lanka.

The Company has to pay 1% royalty charge to Sumitomo Wiring Systems Limited calculated on sales less cost of material applicable to such sales.

The Company has an annual commitment to pay USD 59,910 as factory rent up to 31 December 2023 and thereafter the rent will be determined under the new terms and conditions.

On 25th February 2019, The Company has submit an appeal against an assessment issued by Department of Inland Revenue Sri Lanka dated on 30th May 2018 in relation to the taxable income for the Y/A 2015/2016. As per the assessment, the tax in default amounted to USD 445,561/- ( Rs. 79,964,876/-) and the penalty thereon amounted to USD 226,373/- ( Rs. 40,627,243.55). No provision has been made in these financial statements in respect of the above assessment, as the directors of the Company are confident that the there is no likelihood of additional tax payments resulting on the same.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

**21. ASSETS PLEDGED**

There were no assets pledged as at the reporting date. Bank Overdrafts are secured over Plant & Machinery and Debtors.

**22. EVENTS AFTER THE REPORTING DATE**

There have been no material events occurring after the reporting date that require adjustments to or disclosures in the financial statements.

**23. RELATED PARTY DISCLOSURES**

Related parties represent the shareholders and key management personnel of the Company and entities controlled or jointly controlled by such parties. Pricing policies and terms of transactions with these related parties are approved by the Company's management.

**Related Party Transactions**

Transactions with related parties are as follows:

Related Party	Relationship	Nature of Transaction	Transaction Value	
			2021 USD	2020 USD
Kyungshin Industrial Motherson Limited	Affiliate	Sales of PVC Insulated Wires	14,126,311	16,162,636
Motherson Sumi Systems Limited	Parent	Sales of PVC Insulated Wires	1,333,775	3,180,587
Samvardhana Motherson Global Carriers Limited	Affiliate	Logistic Support Services	(5,418)	-
Motherson Sumi Electric Wires, Chennai ("A Division of Motherson Sumi Systems Limited")	Affiliate	Purchases of Raw Materials	(989,629)	(1,286,088)
Motherson Sumi InfoTech and Design Limited	Affiliate	Software Maintenance Fee	(37,492)	(36,790)
Sumitomo Wiring Systems Limited, Japan	Affiliate	Royalty Expense	(24,499)	(28,544)
Sumitomo Wiring Systems Limited, Japan	Affiliate	Purchase of Spare Parts	(6,225)	-
Motherson Sumi Systems Limited, GmbH	Affiliate	Insurance Advisory Professional Expense	(32,744)	(26,149)
Motherson Air Travel Agencies Limited	Affiliate	Air Ticket Charges	(1,562)	(9,239)
Motherson Auto Limited	Affiliate	Maintenance Support Fee	-	(1,263)
Motherson Sumi Electric Wires, Noida ("Division of Motherson Sumi Systems Limited")	Affiliate	Purchase of Spare Parts & Misc Expense	(27,806)	(7,568)
Edcol Global Pte. Limited	Affiliate	Purchase of Spare Parts	(827)	(5,789)
Motherson Sumi Electric Wires, Bangalore ("Division of Motherson Sumi Systems Limited")	Affiliate	Purchase of Printer (CWIP)	(5,722)	-
Motherson Sumi Electric Wires, Bangalore ("Division of Motherson Sumi Systems Limited")	Affiliate	Purchase of Spare Parts	(542)	(1,692)
MSSL WH System (Thailand) Co. Ltd.	Affiliate	Purchase of Spools	-	(37,978)

The transactions with related parties are made on ordinary course of business. No corporate guarantees provided to/received from related parties.

**Related Party Balances**

Amounts due from and due to related parties are disclosed in Notes 7 and 12, respectively.

The Company has not recorded any impairment of receivables relating to amounts due from related parties as at 31 March 2021 (2020: Nil). This assessment is undertaken in each financial period through examining the financial position of the related party and the market in which the related party operates.

**Transaction with Key Management Personnel**

Key Management Personnel include the Board of Directors of the Company.

No Material transactions have taken place during the year with the key management personnel of the Company.

No material transactions have taken place during the year with the parties/entities in which key management personnel or their close family members have control or jointly control, which require disclosure in these financial statements other than those disclosed above.



**MOTHERSON ELECTRICAL WIRES LANKA (PRIVATE) LIMITED**

**DETAILED EXPENDITURE STATEMENT  
YEAR ENDED 31 MARCH 2021**



# Motherson Electrical Wires Lanka (Private) Limited

## DETAILED EXPENDITURE STATEMENT

Year ended 31 March 2021

### STATEMENT I

#### COST OF SALES

	2021 USD	2020 USD
Cost of Material Consumed	11,185,580	13,037,674
<b>Overhead Expenses</b>		
Salary	44,464	60,994
EPF and ETF	5,483	6,234
Gratuity	2,685	3,375
Bonus and Other Allowances	22,215	19,135
Overtime Expenses	12,069	25,768
Electricity Expenses	132,933	174,097
Depreciation	166,562	208,421
Repair and Maintenance	82,526	215,897
Consumable Stores	44,970	47,940
Factory Rent	59,910	64,660
Royalty	24,499	28,544
Equipment ( Moulds & Dies) Expenses	9,664	19,725
Other Expenses ( Testing & Others)	1,655	2,205
Uniform Staff	-	1,572
	<u>609,635</u>	<u>878,567</u>
	<u>11,795,215</u>	<u>13,916,241</u>



# Motherson Electrical Wires Lanka (Private) Limited

## DETAILED EXPENDITURE STATEMENT

Year ended 31 March 2021

### STATEMENT II

#### ADMINISTRATIVE EXPENSES

	2021 USD	2020 USD
Salary	79,210	93,519
EPF and ETF	11,131	12,658
Gratuity	5,451	6,852
Bonus and Other Allowances	50,127	80,492
Staff Welfare	28,500	29,205
Medical Expenses	7,180	8,034
Staff Rent	4,683	4,814
Training Expenses	87	208
Staff Transport	-	2,048
Professional Charges	52,718	47,924
Exchange Loss	10,183	7,395
Computer Maintenance and Software Charges	40,564	39,506
Depreciation	17,386	21,755
Security Charges	22,005	23,045
Vehicle Hire Charges	11,660	15,207
Foreign & Inland Travelling	4,742	11,890
Insurance	17,011	15,240
Repair and Maintenance	932	1,892
Audit Fee	5,915	7,465
Telephone Charges	6,349	6,858
Office Expenses	10,330	11,223
Vehicle Repair and Fuel	2,814	4,788
Other Rates & Charges	118	-
Printing and Stationery	3,334	4,969
Postage and Courier	1,307	1,514
Legal Fee	141	132
Other Sundry Expenses	3,429	3,097
Service Cost or Conversion Charges	-	14,197
	<u>397,308</u>	<u>475,927</u>

### STATEMENT III

#### DISTRIBUTION COST

	2021 USD	2020 USD
Freight and Forwarding	41,798	63,152
Packing Expenses	45,682	106,270
	<u>87,480</u>	<u>169,422</u>

